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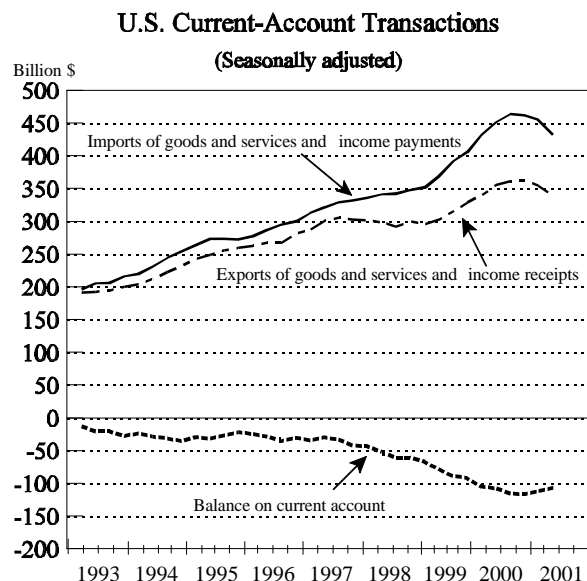
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**U.S. International Transactions: Second Quarter 2001**

**Current Account**

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--decreased to \$106.5 billion in the second quarter of 2001 from \$111.8 billion (revised) in the first, according to preliminary estimates of the U.S. Bureau of Economic Analysis. A decrease in the deficit on goods and services more than offset small increases in the deficit on income and in net unilateral current transfers.



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## Goods and services

The deficit on goods and services decreased to \$88.9 billion in the second quarter from \$95.0 billion in the first.

Goods The deficit on goods decreased to \$107.8 billion in the second quarter from \$112.5 billion in the first.

Goods exports decreased to \$185.8 billion from \$194.9 billion. Both agricultural and nonagricultural exports decreased. The decrease in nonagricultural exports was largely accounted for by a sharp decline in capital goods; industrial supplies and materials also decreased.

Goods imports decreased to \$293.6 billion from \$307.5 billion. Both petroleum and nonpetroleum imports decreased. The decrease in nonpetroleum imports was largely accounted for by a sharp decline in capital goods; both nonpetroleum industrial supplies and materials and consumer goods also decreased.

Services The surplus on services increased to \$18.9 billion in the second quarter from \$17.5 billion in the first.

Service receipts increased to \$74.7 billion from \$74.2 billion. Increases in "other" private services, in royalties and license fees, and in transfers under U.S. military agency sales contracts more than offset decreases in "other" transportation and in travel.

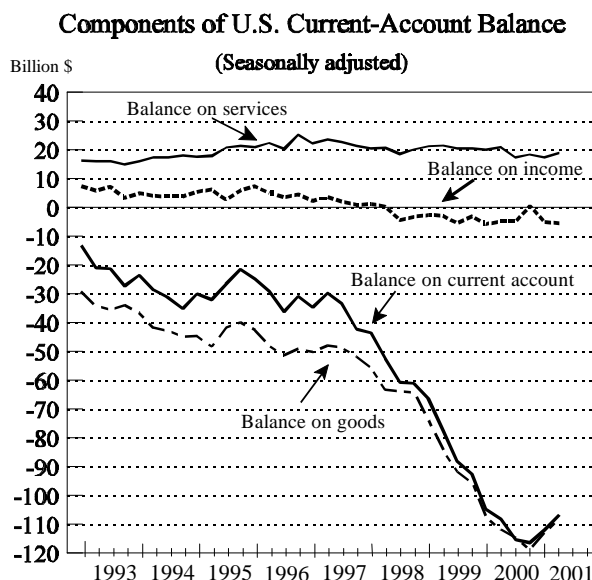
Service payments decreased to \$55.8 billion from \$56.7 billion. Decreases in "other" transportation and in "other" private services more than offset an increase in passenger fares.

## Income

The deficit on income increased to \$5.5 billion in the second quarter from \$5.0 billion in the first.

Investment income Income receipts on U.S.-owned assets abroad decreased to \$77.2 billion from \$84.9 billion. The decrease was almost entirely accounted for by a substantial decline in "other" private receipts and by a decrease in direct investment receipts.

Income payments on foreign-owned assets in the United States decreased to \$81.4 billion from



\$88.6 billion. "Other" private payments, direct investment payments, and U.S. Government payments all decreased.

Compensation of employees Receipts for compensation of U.S. workers abroad were unchanged at \$0.6 billion. Payments for compensation of foreign workers in the United States were unchanged at \$2.0 billion.

#### Unilateral current transfers

Unilateral current transfers were net outflows of \$12.1 billion in the second quarter, up from net outflows of \$11.7 billion in the first. The increase was largely accounted for by an increase in private remittances and other private transfers.

### Capital and Financial Account

#### Capital Account

Capital account transactions were net inflows of \$0.2 billion in the second quarter, unchanged from the first.

#### Financial Account

Net recorded financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$124.7 billion in the second quarter, compared with \$103.5 billion (revised) in the first. Financial inflows for foreign-owned assets in the United States decreased less than financial outflows for U.S.-owned assets abroad.

#### U.S.-owned assets abroad

U.S.-owned assets abroad increased \$63.3 billion in the second quarter, following an increase of \$243.1 billion in the first.

U.S. claims on foreigners reported by U.S. banks decreased \$9.2 billion in the second quarter, in contrast to an increase of \$109.8 billion in the first. The second-quarter decrease was partly attributable to a reduction in lending by U.S. banks to foreign banks, following especially strong lending in the previous two quarters, and to a large reduction in U.S. banks' domestic customers' claims.

Net U.S. purchases of foreign securities were \$48.2 billion in the second quarter, up from \$31.6 billion in the first. Net U.S. purchases of foreign stocks were \$52.2 billion, up from \$27.3 billion; the

increase was attributable to a rise in exchanges of stock related to purchases of U.S. companies by foreign companies. Net U.S. transactions in foreign bonds shifted to net U.S. sales of \$4.0 billion from net U.S. purchases of \$4.3 billion.

Net financial outflows for U.S. direct investment abroad were \$35.6 billion in the second quarter, down from \$40.9 billion in the first. A shift to net inflows for intercompany debt and a decrease in reinvested earnings were partly offset by an increase in net equity capital outflows.

U.S. official reserve assets increased \$1.3 billion in the second quarter, in contrast to a decrease of \$0.2 billion in the first.

#### Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$188.0 billion in the second quarter, following an increase of \$346.7 billion in the first.

U.S. liabilities to foreigners reported by U.S. banks, excluding U.S. Treasury securities, increased \$50.1 billion in the second quarter, following an increase of \$6.9 billion in the first. The second-quarter increase was partly attributable to the transfer of funds to U.S. banks from foreign bank offices as a result of a weakening of foreign demand for bank credit, as well as to an increase in U.S. banks' custody liabilities.

Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$132.7 billion in the second quarter, down from \$148.8 billion in the first. Net foreign purchases of U.S. corporate and other bonds were \$98.7 billion, down from \$107.7 billion. Net foreign purchases of U.S. stocks were \$34.0 billion, down from \$41.1 billion; the decrease was largely attributable to a decrease in net purchases by investors in Western Europe.

Transactions in U.S. Treasury securities shifted to net foreign sales of \$8.3 billion in the second quarter from net foreign purchases of \$0.7 billion in the first.

Net financial inflows for foreign direct investment in the United States were \$67.2 billion in the second quarter, up from \$52.5 billion in the first. A substantial increase in net equity capital inflows, attributable to a step-up in foreign acquisitions of U.S. companies, and a small increase in reinvested earnings were partly offset by a large decrease in net intercompany debt inflows.

Net U.S. currency shipments from the United States to foreign countries were \$2.8 billion in the second quarter, up from \$2.3 billion in the first.

Foreign official assets in the United States decreased \$22.4 billion in the second quarter, in contrast to an increase of \$4.9 billion in the first. The second-quarter decrease was accounted for by

decreases in the assets of industrial countries, of developing countries, and of OPEC countries.

The statistical discrepancy--errors and omissions in recorded transactions--was a negative \$18.4 billion in the second quarter, following a positive \$8.1 billion in the first.

In the second quarter, the U.S. dollar appreciated 3 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

## Revisions

The first-quarter international transactions are revised from previously published estimates. The current-account deficit was revised to \$111.8 billion from \$109.6 billion. The goods deficit was unchanged at \$112.5 billion; the services surplus was unchanged at \$17.5 billion; the deficit on income was revised to \$5.0 billion from \$3.1 billion; and unilateral current transfers were revised to net outflows of \$11.7 billion from net outflows of \$11.5 billion.

\* \* \*

Release dates for 2001:

Third quarter 2001.....December 12, 2001 (Wednesday)

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(202) 606-5362 U.S. international transactions  
-5306 Gross domestic product  
-5303 Personal income and outlays

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Table 1.--U.S. International Transactions  
[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2000	2000				2001		Change:
			I	II	III	IV	Ir	IIp	2001 I-II
Current account									
1	Exports of goods and services and income receipts.....	1,418,568	339,645	355,075	361,236	362,617	354,624	338,335	-16,289
2	Exports of goods and services.....	1,065,702	257,256	265,822	272,497	270,131	269,092	260,507	-8,585
3	Goods, balance of payments basis.....	772,210	185,142	191,558	199,273	196,237	194,942	185,838	-9,104
4	Services.....	293,492	72,114	74,264	73,224	73,894	74,150	74,669	519
5	Transfers under U.S. military agency sales contracts.....	14,060	3,401	3,910	3,329	3,420	3,380	3,580	200
6	Travel.....	82,042	20,448	20,976	20,226	20,392	20,777	20,703	-74
7	Passenger fares.....	20,745	5,013	5,342	5,213	5,177	5,016	5,057	41
8	Other transportation.....	30,185	7,365	7,619	7,593	7,609	7,418	7,160	-258
9	Royalties and license fees.....	38,030	9,345	9,525	9,538	9,624	9,555	9,843	288
10	Other private services.....	107,568	26,338	26,679	27,105	27,447	27,777	28,104	327
11	U.S. Government miscellaneous services.....	862	204	213	220	225	227	222	-5
12	Income receipts.....	352,866	82,389	89,253	88,739	92,486	85,532	77,828	-7,704
13	Income receipts on U.S.-owned assets abroad.....	350,525	81,814	88,670	88,151	91,891	84,918	77,209	-7,709
14	Direct investment receipts.....	149,240	34,734	37,591	37,335	39,581	37,081	35,320	-1,761
15	Other private receipts.....	197,440	46,014	49,941	49,971	51,514	46,920	41,096	-5,824
16	U.S. Government receipts.....	3,845	1,066	1,138	845	796	917	793	-124
17	Compensation of employees.....	2,341	575	583	588	595	614	619	5
18	Imports of goods and services and income payments.....	-1,809,099	-432,624	-450,748	-463,461	-462,268	-454,668	-432,766	21,902
19	Imports of goods and services.....	-1,441,441	-344,578	-356,606	-369,837	-370,424	-364,115	-349,445	14,670
20	Goods, balance of payments basis.....	-1,224,417	-292,547	-303,229	-313,884	-314,757	-307,462	-293,639	13,823
21	Services.....	-217,024	-52,031	-53,377	-55,953	-55,667	-56,653	-55,806	847
22	Direct defense expenditures.....	-13,560	-3,262	-3,382	-3,541	-3,375	-3,567	-3,455	112
23	Travel.....	-64,537	-16,399	-16,123	-16,075	-15,940	-16,160	-16,235	-75
24	Passenger fares.....	-24,197	-5,805	-6,146	-6,226	-6,020	-5,953	-6,406	-453
25	Other transportation.....	-41,058	-9,693	-10,097	-10,554	-10,718	-10,514	-9,823	691
26	Royalties and license fees.....	-16,106	-3,604	-3,715	-4,535	-4,253	-4,166	-4,062	104
27	Other private services.....	-54,687	-12,554	-13,200	-14,298	-14,634	-15,555	-15,088	467
28	U.S. Government miscellaneous services.....	-2,879	-714	-714	-724	-727	-738	-737	1
29	Income payments.....	-367,658	-88,046	-94,142	-93,624	-91,844	-90,553	-83,321	7,232
30	Income payments on foreign-owned assets in the United States.....	-360,146	-86,194	-92,259	-91,771	-89,920	-88,579	-81,365	7,214
31	Direct investment payments.....	-68,009	-18,369	-19,474	-16,286	-13,878	-14,408	-12,234	2,174
32	Other private payments.....	-184,465	-41,751	-45,884	-48,116	-48,714	-47,180	-42,751	4,429
33	U.S. Government payments.....	-107,672	-26,074	-26,901	-27,369	-27,328	-26,991	-26,380	611
34	Compensation of employees.....	-7,512	-1,852	-1,883	-1,853	-1,924	-1,974	-1,956	18
35	Unilateral current transfers, net.....	-54,136	-11,924	-12,461	-13,080	-16,673	-11,734	-12,067	-333
36	U.S. Government grants.....	-16,821	-2,912	-3,232	-3,634	-7,043	-2,419	-2,498	-79
37	U.S. Government pensions and other transfers.....	-4,705	-1,168	-1,179	-1,183	-1,177	-1,237	-1,213	24
38	Private remittances and other transfers.....	-32,610	-7,844	-8,050	-8,263	-8,453	-8,078	-8,356	-278

Table 1.--U.S. International Transactions (Continued)  
[Millions of dollars, quarters seasonally adjusted]

(Credits +, debits -)		2000	2000				2001		Change:
		2000	I	II	III	IV	Ir	Iip	2001 I-II
Capital and financial account									
Capital account									
39	Capital account transactions, net.....	705	173	173	175	184	173	177	4
Financial account									
40	U.S.-owned assets abroad, net (increase/financial outflow (-)).....	-580,952	-198,105	-93,573	-107,727	-181,548	-243,120	-63,322	179,798
41	U.S. official reserve assets, net.....	-290	-554	2,020	-346	-1,410	190	-1,343	-1,533
42	Gold.....	....	....	....	....	....	....	....	....
43	Special drawing rights.....	-722	-180	-180	-182	-180	-189	-156	33
44	Reserve position in the International Monetary Fund.....	2,308	-237	2,328	1,300	-1,083	574	-1,015	-1,589
45	Foreign currencies.....	-1,876	-137	-128	-1,464	-147	-195	-172	23
46	U.S. Government assets, other than official reserve assets, net.....	-944	-127	-572	114	-359	21	-761	-782
47	U.S. credits and other long-term assets.....	-5,177	-1,750	-1,368	-1,050	-1,009	-1,094	-1,314	-220
48	Repayments on U.S. credits and other long-term assets.....	4,257	1,329	855	1,265	808	1,015	555	-460
49	U.S. foreign currency holdings and U.S. short-term assets, net.....	-24	294	-59	-101	-158	100	-2	-102
50	U.S. private assets, net.....	-579,718	-197,424	-95,021	-107,495	-179,779	-243,331	-61,218	182,113
51	Direct investment.....	-152,437	-38,388	-33,346	-41,634	-39,070	-40,940	-35,602	5,338
52	Foreign securities.....	-124,935	-27,546	-39,639	-33,129	-24,621	-31,591	-48,240	-16,649
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-163,846	-75,256	-29,491	-14,585	-44,514	-61,011	13,433	74,444
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-138,500	-56,234	7,455	-18,147	-71,574	-109,789	9,191	118,980
55	Foreign-owned assets in the United States, net (increase/financial inflow (+)).....	1,024,218	256,782	250,007	222,108	295,321	346,660	188,002	-158,658
56	Foreign official assets in the United States, net.....	37,619	22,498	6,447	12,247	-3,573	4,898	-22,430	-27,328
57	U.S. Government securities.....	30,676	24,311	6,334	5,271	-5,240	2,547	-10,849	-13,396
58	U.S. Treasury securities.....	-10,233	16,204	-4,000	-9,001	-13,436	-1,027	-20,781	-19,754
59	Other.....	40,909	8,107	10,334	14,272	8,196	3,574	9,932	6,358
60	Other U.S. Government liabilities.....	-1,987	-474	-1,000	-220	-293	-1,246	-1,138	108
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	5,803	-2,270	209	6,884	980	2,594	-11,471	-14,065
62	Other foreign official assets.....	3,127	931	904	312	980	1,003	1,028	25
63	Other foreign assets in the United States, net.....	986,599	234,284	243,560	209,861	298,894	341,762	210,432	-131,330
64	Direct investment.....	287,655	36,508	90,394	76,046	84,707	52,472	67,163	14,691
65	U.S. Treasury securities.....	-52,792	-9,348	-20,546	-12,503	-10,395	656	-8,275	-8,931
66	U.S. securities other than U.S. Treasury securities.....	485,644	136,208	94,400	128,393	126,643	148,809	132,671	-16,138
67	U.S. currency.....	1,129	-6,847	989	757	6,230	2,311	2,772	461
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	177,010	85,188	24,400	19,078	48,344	130,624	-34,022	-164,646
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	87,953	-7,425	53,923	-1,910	43,365	6,890	50,123	43,233
70	Statistical discrepancy (sum of above items with sign reversed).....	696	46,053	-48,473	749	2,367	8,065	-18,359	-26,424
Memoranda:									
71	Balance on goods (lines 3 and 20).....	-452,207	-107,405	-111,671	-114,611	-118,520	-112,520	-107,801	4,719
72	Balance on services (lines 4 and 21).....	76,468	20,083	20,887	17,271	18,227	17,497	18,863	1,366
73	Balance on goods and services (lines 2 and 19).....	-375,739	-87,322	-90,784	-97,340	-100,293	-95,023	-88,938	6,085
74	Balance on income (lines 12 and 29).....	-14,792	-5,657	-4,889	-4,885	642	-5,021	-5,493	-472
75	Unilateral current transfers, net (line 35).....	-54,136	-11,924	-12,461	-13,080	-16,673	-11,734	-12,067	-333
76	Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75).....	-444,667	-104,903	-108,134	-115,305	-116,324	-111,778	-106,498	5,280
r	Revised.								
p	Preliminary.								

NOTE:--Details may not add to totals because of rounding. Source: U. S. Department of Commerce, Bureau of Economic Analysis